Before The
Public Service Commission of South Carolina

Docket No. 2007-4-G

Annual Review of Purchased Gas Adjustment and
Gas Purchasing Policies of Piedmont Natural Gas Company, Inc.

Direct Testimony and Exhibits
Of
Keith P. Maust

On Behalf Of
Piedmont Natural Gas Company, Inc.

October 11, 2007

Q. Please state your name and your business address.

A. My name is Keith P. Maust. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company, Inc., (Piedmont) as Managing Director, Gas Supply and Scheduling.

Q. Please describe your educational and professional background.

A. I graduated from West Virginia University in 1976 with a Bachelor's Degree in Business Administration. I was employed by Tennessee Gas Pipeline for five years from 1983 to 1988 as an Analyst in the Gas Reserves and Gas Supply departments. I joined Piedmont as a Gas Supply Analyst in July, 1988. I was promoted to Manager of Gas Supply in 1991 and Director of Gas Supply in 1995. In 1996 I was promoted to Director of Gas Supply and Wholesale Marketing. I was promoted to Managing Director, Gas Supply and Scheduling last year.

Q. Please describe the scope of your present responsibilities for Piedmont?

A. My current major responsibilities include supervision of long and short-term purchasing and scheduling of gas supply and gas cost management activities.

Q. Have you previously testified before this Commission or any other regulatory authority?

A. Yes, I have presented testimony in 1997, 1998, 1999, 2000,, 2001, 2002, 2003, 2004, 2005 and 2006 and appeared as a witness before this Commission in the matter of the Commission's annual review of Piedmont's Gas Costs and Purchasing Policies (Dockets No.97-007-G, 98-004-G, 99-004-G, 2000-004-G, 2001-004-G, 2002-004-G, 2003-004-G, 2004-004-G, 2005-005-G and 2006-4-

G) and in the matter of Piedmont's approved hedging policy (Docket No. 2001-410-G). I have also presented testimony and appeared as a witness before the North Carolina Utilities Commission (NCUC) regarding Piedmont's gas purchasing policies and proposed hedging plan and presented testimony before the Tennessee Regulatory Authority (TRA) regarding Nashville Gas Company's Incentive Plan Account.

Q. Please give a general description of Piedmont and its market in South Carolina.

A. Piedmont is a local distribution company principally engaged in the purchase, distribution and sale of natural gas to more than 947,500 customers in South Carolina and North Carolina and the metropolitan area of Nashville, Tennessee. Piedmont serves approximately 131,000 customers in the State of South Carolina. During the twelve month period ending March 31, 2007, Piedmont delivered approximately 22,700,000 dts of natural gas to its South Carolina customers.

Piedmont provides service to two distinct markets -- the firm market (principally residential, small commercial and small industrial customers) and the interruptible market (principally large commercial and industrial customers). Although Piedmont competes with electricity for the attachment of firm customers, once attached these customers generally have no readily available alternative source of energy and depend on natural gas for their basic space heating or utility needs. During the twelve month period ending March 31, 2007, approximately 18,125,000 dts, or 80%, of Piedmont's South Carolina deliveries were to the firm market.

In the interruptible market, Piedmont competes on a month-to-month and day-to-day basis with alternative sources of energy, primarily fuel oil or propane and, to a lesser extent, coal or wood. These larger commercial and

industrial customers will buy alternate fuels when they are less expensive than gas. During the twelve month period ending March 31, 2007, approximately 4,587,000 dts, or 20% of Piedmont's South Carolina deliveries were to the interruptible market.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony will describe Piedmont's gas purchasing policies. This testimony is in response to the Commission's directive issued in Order No. 88-294 dated April 6, 1988 requiring ". . . annual public hearings . . . to review the Company's . . . gas purchasing policies" and in response to the Commission's Order establishing pre-filing deadlines in this docket.

Q. What is the period of review in this docket?

A. The review period is April 1, 2006 through March 31, 2007

Q. Please explain Piedmont's gas purchasing policies.

A. Piedmont has previously utilized and continues to maintain a "best cost" gas purchasing policy. This policy consists of five main components -- the price of the gas, the security of the gas supply, the flexibility of the gas supply, gas deliverability and supplier relations. All of these components are interrelated, and we will continue to weigh the relative importance of each of these factors when developing an overall gas supply portfolio to meet the needs of our customers.

Q. Please describe each of the five components.

A. The "price of the gas" refers to the delivered cost of gas to Piedmont's city gate. In order to properly judge prices at a comparable transaction point, Piedmont evaluates purchase prices at the pipeline city gate points of delivery into Piedmont's distribution facilities. With the unbundling of the interstate pipeline industry, substantial flexibility exists in structuring gas supply arrangements. The majority of Piedmont's supply purchases take place at

"pooling points" into the pipeline on which Piedmont holds firm transportation capacity rights. These "pooling point" supply purchases from producers and marketers include the commodity cost of gas at the pooling points and the fuel to be retained by the downstream pipeline transporter. Commodity transportation charges are also assessed separately by pipelines. Any "best cost" analysis that solely considered supply area or "pooling point" cost would fail to recognize the varying cost in fuel and commodity costs associated with transporting gas purchased from different supply area locations to Piedmont's city gate. In the case of "bundled" city gate supply purchases, Piedmont may pay the gas supplier an all-inclusive price that covers the cost of gas, fuel and transportation charges. Of course, peaking and storage services may add additional injection, withdrawal, and related fuel charges to the city gate cost of gas. All of these cost components must be taken into account in evaluating the "price of the gas."

"Security of gas supply" refers to the assurances that the supply of gas will be available when needed. Obviously, it is important to maintain a high level of supply security for Piedmont's firm customers who have no alternate fuel capability. Security of gas supply is less important for our interruptible customers who have access to alternate fuels. In order to reserve firm gas supplies under contract, fixed reservation fees are generally required in addition to the commodity cost of gas. In addition, the geographic source of supply, the nature of the supplier's portfolio of gas supplies (especially during critical conditions) and negotiated contract terms must be considered when evaluating the level of supply security. Thus, the security of gas supply is interrelated with the price of gas and the other components of Piedmont's "best cost" purchasing policy.

"Flexibility of gas supply" refers to our ability to adjust the volume of a particular gas supply as operating and market conditions change from time to time. For example, firm heat sensitive customers will vary their consumption depending on the weather conditions in Piedmont's service area. Interruptible customers will vary their level of purchase depending on the price of alternate fuels and the demand for product in their own industry. Thus, Piedmont must arrange a portfolio of gas supplies and storage service flexible enough to meet the daily and monthly "swings" in the market place. Contractual gas supply "swing rights" are implemented through periodic renominations with gas suppliers and through injections into and withdrawals from storage.

"Gas deliverability" refers to the ability to obtain Piedmont's gas supplies at the city gate through reliable transportation and storage capacity arrangements. The unbundling of the interstate pipeline industry has created a complex system of multiple pipeline services and service combinations. Transportation arrangements can involve supply area gathering services, intrastate transportation, interstate lateral line and pooling services, multiple interstate pipeline transportation and storage arrangements, and balancing and peaking services. The marketplace for pipeline capacity service is static, with little to no unused capacity available during period of design temperature conditions. Consequently, it is important that we secure and maintain firm transportation and storage capacity rights to ensure the deliverability of our gas supplies to meet the design day, seasonal, and annual needs of our customers. Of course, pipeline capacity contracts require the payment of fixed demand charges to reserve firm transportation or storage entitlements. Piedmont is active in proceedings at the Federal Energy Regulatory Commission (FERC) not only with respect to the level of pipeline charges under these contracts, but also the tariff terms and conditions that apply to these pipeline services.

"Supplier relations" refers to the dependability, integrity and flexibility of a particular gas supplier. We contract with gas suppliers who have a reputation of honoring their contractual commitments and have proven themselves as reliable suppliers. Conversely, we avoid suppliers which have a reputation of defaulting on contract obligations or who unilaterally interpret contracts to their advantage. We prefer to deal with suppliers who are constantly looking for ways to improve service and offer "win-win" solutions for meeting customer needs.

Q. Please describe the arrangements under which Piedmont purchases gas.

A. Piedmont purchases gas supplies under a diverse portfolio of contractual arrangements with a number of reputable gas producers and marketers. In general, under Piedmont's firm gas supply contracts, Piedmont pays negotiated reservation fees for the right to reserve and call on firm supply service up to a maximum daily contract quantity (nominated either on a monthly or daily basis), with market-based commodity prices tied to indices published in industry trade publications. These firm contracts range in term from one year (or less) to terms extending into 2011. Longer term contracts typically provide for periodic reservation fee renegotiations. Some of these contracts are for winter only (peaking or seasonal) service and some provide for 365 day (annual) service. Firm gas supplies are purchased for reliability and security of service and are generally priced on a reservation fee basis according to the amount of nomination flexibility built into the contract (daily swing service being more expensive than monthly baseload service). When existing supply contracts expire, requests for proposals are sent, as needed, to suppliers meeting Piedmont's "best cost" purchasing policy requirements as detailed earlier in my testimony. Firm supplies are then contracted from suppliers whose proposals best fulfill Piedmont's "best cost" purchasing policy.

Piedmont also purchases gas supplies in the spot market under contract terms of one month or less. These contracts provide for little or no supply security in that they are interruptible and short term in nature. As a result, Piedmont relies on these contracts primarily for interruptible markets during off-peak periods when spot supplies are more abundant and for supplemental system balancing requirements. Because of the nature of spot contracts, these supplies do not command reservation fees and are priced on a commodity basis, generally by reference to industry index or negotiated prices.

Q. How does the interrelationship of the five factors described above determine the character of the supply and capacity contracts under your "best cost" policy?

A. Under our "best cost" policy, we attempt to secure and maintain a supply portfolio that is in balance with the requirements of our sales markets. Because our firm sales market must have a secure and reliable gas supply, we meet the needs of this market primarily with long-term firm supply and transportation contracts, supplemented by storage and peaking services. The temperature sensitivity of the firm market necessitates that flexibility of supply and storage also be provided. As mentioned earlier, firm supply contracts demand a premium payment, typically in the form of fixed reservation fees. Also, firm supply contracts with flexibility of swing service entitlements will command a higher price than baseload arrangements. Because our interruptible market is more price sensitive and requires less supply security, we supply this market with off-peak firm gas supply and transportation services when the core market demand declines and through the purchase of gas supplies in the spot market.

In short, before entering into any agreement to purchase gas or pipeline capacity, we carefully consider the use for the supply and weigh the five "best cost" factors (price, security, deliverability, flexibility, and supplier relations).

Obviously, a great deal of judgement is required when weighing these factors. To help us exercise this judgement, we try to keep informed about all aspects of the natural gas industry. We intervene in all major FERC proceedings involving our pipeline transporters, stay in constant contact with our existing and potential suppliers, monitor gas prices on a real-time basis, subscribe to industry literature, follow supply and demand developments, and attend industry seminars.

Q. Please describe the Company's interest and position on any issues before the FERC that may have a significant impact on the company's operations and a description of the status of each proceeding described.

A. The Company routinely intervenes and participates in interstate natural gas pipeline proceedings before the FERC. A current summary of such proceedings in which Piedmont is a party is attached hereto as Exhibit__ (KPM-1)

Q. What is your greatest challenge in applying your "best cost" gas purchasing policy?

A. Since most major gas supply decisions require a considerable degree of planning and must be made years in advance of service, our greatest challenge is dealing with future uncertainties in a dynamic national and regional energy market. In a perfect world, we would be able to accurately predict our future demand for gas, the future availability and pricing of gas supplies and capacity, and future regulatory policies. Of course, in the real world, we cannot accurately predict any of these factors. Future demand for gas is affected by economic conditions, customer conservation efforts, weather patterns, regulatory policies and industry restructuring in the energy markets. The future availability and pricing of gas supplies will be affected by overall demand, oil

and gas exploration and development, pipeline expansion projects, and regulatory policies and approvals.

Q. Please explain the Company's position regarding the current U.S. supply situation.

A. The United States has been struggling to avoid a gradual decline in natural gas production despite increases in drilling rig activity for the last few years, particularly in the gulf coast region. The gulf coast is a mature production basin, meaning the region has been extensively drilled by production companies for several decades. Therefore, all the "low hanging fruit," or easily found supply, has already been or is currently being produced. Although this region will continue to be an important part of the country's natural gas supply portfolio, additional supplies from other areas will have to supplement declining gulf coast production for supplies to remain adequate and reasonably priced. Increases of supply from other sources including Rocky Mountain production and LNG imports have partially offset decreases in gulf coast production, but production from areas that are currently off-limits to drilling such as coastal waters and the development of pipeline facilities from regions like Alaska may be necessary for natural gas supplies to remain sufficient and competitively priced with alternate fuel choices.

Q. Has the increase in oil prices affected the price of natural gas?

A. Yes. Oil prices have remained high due to increases in global demand and political instability in many of the large producing regions of the world. The majority of our interruptible industrial load have the ability to utilize fuel oil as an alternative to natural gas. Because the cost of alternative fuel oil has remained high, most of our duel fuel industrial customers continue to choose natural gas as their fuel of choice, creating upward pressure on the cost of natural gas.

Q. Has electric generation fueled by natural gas affected the price of natural gas?

A. Yes. Hotter than normal weather and the resulting increase in electrical demand supplied by natural gas fueled generation contributes to increased volatility and pricing of natural gas. As additional electric generation facilities fueled by natural gas continue to be built, it is only logical to assume that natural gas prices will be affected by the corresponding increased consumption of natural gas.

Q. What process does Piedmont undertake to acquire firm capacity and supply to meet its growing market requirements?

A. Piedmont secures incremental capacity and supply to meet the growth requirements of its firm customers consistent with its "best cost" policy. To implement this policy, Piedmont attempts to contract for timely and cost effective supply and capacity. To acquire long-term expansion project capacity precisely in balance with our market growth profile is impossible due to many external factors beyond our control. The lengthy process of pipeline project development and marketing, environmental review, regulatory lag and construction lead-time, requires that major pipeline expansion projects be planned many years ahead of the target "in service" date. Unexpected events during this process can cause delay and uncertainty. To fill the gap between the in service dates of new expansion projects and to meet the requirements of our growing market demand, Piedmont may contract for temporary "bridge" services from various sources of supply and capacity.

Q. How does Piedmont calculate its customer growth?

A. Piedmont reviews historical gross customer additions, holds discussions with various business leaders/trade allies and field sales employees, and considers

forecasts of local, regional and national business drivers (i.e., economic conditions, demographic, etc.) to derive its customer growth projections.

Q. How does the Company calculate Design Day requirements for the future?

A. The Design Day calculation involves several elements: the actual throughput and degree days experienced on a recent day (January 23, 2003) that most closely approaches the current design day temperature, the day's interruptible sales, the dekatherm per degree day factor ("DTh/DD") generated from the forecast software program "GASDAY" used by Piedmont, and the forecasted number of heat sensitive customers expected during the upcoming heating seasons. We took the actual sales of January 23, 2003 and subtracted the interruptible sales to produce the firm sales for the day. Since the temperature for the day was higher than the design day temperature, we took the additional number of dekatherms used per degree day as calculated by "GASDAY" and multiplied this factor by the additional number of degree days required to reach design day. We then added the result to the actual firm sales for the day to calculate a projected design day. We took this projected number and broke it into residential, commercial, and industrial sales for the day. We have the actual firm industrial sales for the day and the remainder is the residential and commercial sales combined. Piedmont does not have daily readings for residential and commercial customers. We calculated this number by taking the monthly sales for residential and commercial customers and projected design day usage for each of these classes. We then added a five percent reserve margin to the total firm sales.

Each subsequent yearly design day forecast is derived by increasing the temperature sensitive rate classes' usage by multiplying the previous year's projected usage by the next year's forecasted growth percentage. Firm

industrial usage was held constant with what was experienced during the 2006/07 winter season, as this category is not expected to grow.

Q. Has the Company witnessed any normalized reduction in usage per customer as a result of conservation measures, an if so, has the Company included the results of conservation measures in its forecasting?

A. Yes, the Company has experienced a reduction in weather normalized usage per customer and we do factor it into our forecast. The increased efficiency of new appliances used by new customers or the replacement of old equipment by existing customers can partially explain the reduction. During the past few years the Company, popular press and the general public discussion has informed the public about commodity prices and ways to use less energy. We believe there has also been a resulting reduction in usage from conservation measures employed by customers directly resulting from increased prices and their awareness of such increased prices. However, Piedmont and the natural gas industry have not seen evidence that conservation/reduced usage occur during design day conditions. The Company has not experienced weather approaching design day temperatures since January of 2003. Without possessing actual system data confirming decreased usage during design day conditions, the Company believes that the effects of conservation measures most likely disappear as you approach design day conditions. Therefore, the Company will continue to utilize a "safe versus sorry" conservative approach to design day forecasting until more and comprehensive data is available.

Q. What were the design day peak demand requirements used by the Company for planning purposes for the review period as well as the current forecasted design day demand requirements for the next four winter seasons, the amount of heating degree days, dekatherms per heating

degree day, customer growth rates and supporting calculations used to determine the peak day requirement amounts?

A. Please see Exhibit__(KPM-2)

Q. Do the design day demand requirement amounts provided above reflect any demand from markets other than firm?

A. The design day demand requirement amounts provided above include only the firm market requirements.

Q. What were the estimated base load demand requirements of the firm market for the review period, as well as the current forecasted base load demand requirements for the next four years?

A. Please see Exhibit__ (KPM-3)

Q. Please describe how Piedmont determines which type of resource should be acquired or developed for meeting the Company's forecasted deliverability needs and describe the factors evaluated in deciding whether the Company should acquire pipeline transportation capacity, acquire a storage service, or develop additional on-system storage deliverability.

A. In assessing the type of resources needed to meet Piedmont's deliverability needs, the Company attempts to minimize the per unit delivered gas cost. This analysis incorporates the commodity cost of gas and any transportation, storage costs and supplier reservation fees required to deliver gas to Piedmont's city gate, as well as the reliability and timing of new services. This generally results, to the extent possible, in a correlation of the duration of incremental demand with the days of service of the acquired resource, i.e. acquiring peaking services to meet projected peak day demand, storage to meet projected seasonal demand, and year round pipeline capacity to meet projected baseload demand. Piedmont also considers the possibility of changes in demand due to exogenous factors, such as changes in residential market demand (new housing starts) and

changes in industrial market demand (energy prices and worldwide economic conditions).

Q. How does the Company determine the amount of incremental pipeline capacity that should be acquired for a whole year, the full winter season and less than the full winter season?

A. Piedmont evaluates interstate pipeline capacity offerings available at the time that it is determined that additional future firm delivery service is required. The company attempts to match the days of service of new incremental transportation capacity to the duration of its incremental demand on the most economical basis possible, with offerings evaluated on an equivalent unit basis. As explained earlier, Piedmont attempts to acquire peaking services to meet projected peak day demand, storage to meet projected seasonal demand, and year round pipeline capacity to meet projected baseload demand and provide gas supplies for replenishment of storage inventories. However, service choices are generally limited to those offered during the period of evaluation. Moreover, swing supply contracting can sometimes complement transportation service and provide a competitive surrogate peaking service.

Q. Please describe the factors the Company evaluates in determining the characteristics of its storage service contracts, including the amount of gas that can be withdrawn and delivered on a peak day, the amount of gas that can be withdrawn and delivered during the winter season and the period during which the gas can be withdrawn.

A. Once a determination is made that a storage service is needed as described earlier, Piedmont's needs with respect to deliverability to and from storage are matched against available storage options as closely as possible. Storage service characteristics and limitations including the amount of gas that can be withdrawn and delivered on a design day, the amount of gas that can be

withdrawn and delivered during the winter season and the period during which gas can be withdrawn are defined within the corresponding pipeline's tariffs that govern each particular storage service. Piedmont also evaluates other elements and limitations, such as refill ability, swing service options and storage ratchets that are also governed by the tariffs for each storage contract into its daily gas control operations.

Q. Please describe how the Company plans to supply its estimated future growth requirements during the next four-year period beginning with the 2007-2008 winter season.

A. Piedmont continually monitors interstate pipeline and storage capacity offerings in light of prospective growth requirements detailed in Exhibit__(KPM-2). The Company will add additional capacity utilizing its "best cost" purchasing philosophy as its firm market supply requirements dictate.

Q. How does the Company plan to have adequate supplies available for its firm market supply requirements if it experiences normal or design day weather conditions?

A. The Company constructs load duration curves that forecast the Company's firm market supply requirements for normal weather conditions, design day weather conditions and design winter season conditions. The supply requirements are plotted in descending order of magnitude, with existing pipeline capacity and storage resources overlaid to expose any supply shortfalls. The load duration curves for 2006-2007 forecasted design winter season described above, as well as the actual 2006-2007 winter season load duration curve is shown in Exhibit__(KPM-4). The forecasted load duration curves for the 2007-2008 winter season are shown in Exhibit__(KPM-5).

Q. Does the Company plan for any reserve margin to accommodate statistical anomalies, unanticipated supply or capacity interruption, force majeure, emergency gas usage or colder-than-design weather?

A. Yes, the Company computes a five percent reserve margin and arranges for supply and/or capacity to provide delivery of the reserve margin for events such as those listed above. This reserve margin is reflected in Exhibit__(KPM-2).

Q. Please describe how the Company determines the daily contract quantity of gas supplies that should be acquired through long-term contracts for the whole year, the full winter season and periods less than a full winter season.

A. The Company prepares studies using load duration curves as mentioned earlier to model its firm supply requirements for an annual period, taking into consideration critical winter scenarios. Consideration is also given to situations that are less than critical to assure low load supply flexibility. The Company also utilizes a software package called "Gas Day" to assist in its daily forecasting requirements. The Company will purchase gas supplies on a year around basis to fulfill its firm requirements including storage injections and to minimize supply costs utilized to serve both firm and interruptible markets. Some of these contracts will escalate in volume during shoulder months and the winter period (November through March) as the Company's firm requirements increase due to colder weather, thus sculpting year around contracts to fit seasonal needs. The Company also purchases volumes for the winter period to match its firm transportation capacity entitlements, which also increase during the winter period. Lastly the Company may purchase short-term city gate peaking supply to fulfill additional firm obligations as the company experiences peak day firm demand requirements. The company reviews warm winter

weather scenarios to measure its ability to fulfill its contractual purchase commitments with suppliers.

Q. Please explain the factors that the Company evaluates in determining the pricing basis for its gas supply contracts. Please discuss the various pricing alternatives available, such as fixed prices, monthly market indexing and daily spot market pricing and describe how supplier reservation charges and discounts or premiums from market prices enter into the evaluation.

A. The Company has various pricing options available to it when developing its gas supply portfolio. These options include fixed pricing, monthly market indexing and daily spot pricing. Fixed pricing scenarios are addressed in the Company's hedging plan, which has been approved by the Commission. The reservation fee the Company pays for each contract in its firm supply portfolio is dependent upon the pricing options chosen and the supply flexibility requirements associated with each contract. Reservation fees are generally lower for base load supplies (purchased at a constant volume for the entire month) and higher if swing service is required. Reservation fees vary depending on the type of swing service being provided. Examples of factors which affect the cost of swing service are: a) the number of days of swing required; b) the volume of swing allowed; c) commodity pricing at first of the month indices versus daily spot pricing; d) first of the month keep whole pricing; e) intraday versus interday swing capabilities; and f) location of the supply being purchased. The Company considers its anticipated load factor and swing requirements under various weather scenarios, measuring the exposure to price fluctuations of the spot market and the factors listed above and makes a "best cost" purchasing decision.

Q. Please explain the provisions in the Company's gas supply contracts that allow or help facilitate future renegotiation efforts if future market

conditions offer new opportunities and describe any contractual restraints that prevented the Company from obtaining full benefit of favorable spot market conditions during the review period.

A. All of the Company's supply contracts have market-based commodity prices tied to indices published in industry trade publications. These commodity pricing provisions allow the Company to obtain the full benefit of market priced gas.

Q. What process does the Company employ in selecting its firm gas suppliers.

A. The Company identifies the volume and type of supply that it needs to fulfill its market requirements and solicits requests for proposals (RFP's) from a list of suppliers that the gas supply department continuously updates as potential suppliers enter and leave the market place. As mentioned earlier, type of supply is classified as baseload or swing and firm or interruptible. Requests for proposals for swing supply may be further categorized into pricing based on first of the month indices, keep whole, or daily market indices. Swing supplies priced at first of the month indices command the highest reservation fees because suppliers incur all the risk associated with market volatility during the delivery period. Keep whole contracts require the Company to reimburse suppliers for the difference between first of the month index prices and lower daily market prices if the Company doesn't take its full contractual volume. Because the Company assumes the volatility risk associated with falling prices, a lower reservation fee is warranted. Lower reservation fees are also associated with swing contracts based upon daily market conditions because both buyer and seller assume the risk of daily market volatility. After forecasting the load factor of each individual contract and evaluating the cost of reservation fees associated with each type of supply and its corresponding bid, the Company

makes a "best cost" decision on which type of supply and supplier to fulfill its needs.

Q. Please summarize any supply arrangements entered into by the Company during the review period.

A. During the review period the Company added new seasonal or year around supply utilizing its normal RFP process described earlier.

Q. Please describe the process that Piedmont utilized and the market intelligence evaluated during the review period to determine the prices charged for off-system sales.

A. The process and information used by Piedmont in pricing off-system sales depends upon the term of the sale, the type of sale and prevailing market conditions at the time of the sale. For long-term delivered sales (longer than one month), Piedmont solicits bids from potential buyers and awards volumes based on the bids received. For short-term transactions (daily or monthly) Piedmont will monitor prices and volumes on Intercontinental Exchange (Intercontinental Exchange or "ICE" is an electronic trading platform where potential buyers post bids and potential sellers post offers at various physical locations), talk to various market participants on the telephone and for less liquid trading points, estimate prices based on price relationships with more liquid points. The Company will also evaluate the amount of supply available for sale and weigh that against current market conditions in formulating its sales strategy (i.e., if Piedmont has a large amount of supply to sell on a particular day and determines that market demand is low, the Company will be more aggressive in its sales strategy. The Company incorporates all these factors and then initiates sales via "ICE" or over the telephone.

Q. Did Piedmont make any changes in its gas purchasing policies or practices during the period of review?

A. Piedmont did not implement any changes in its "best cost" gas purchasing policies or practices during the test period.

Q. Did Piedmont's Hedging Plan work properly during the review period?

A. Yes. The Hedging Plan accomplished its goal of providing an additional tool to reduce gas cost volatility to customers in South Carolina that purchase gas from Piedmont.

Q. What were the net economic results of the Hedging Plan during the review period?

A. Piedmont's South Carolina customers incurred a net economic cost of $4,703,740 as a result of Piedmont's hedging plan during the review period. This net economic impact includes expenses incurred in administering the program including commissions, software, subscriptions and data feed.

Q. Please describe how compliance with the Hedging Plan is monitored.

A. Currently, the Gas Accounting, Finance, and Corporate Compliance areas perform ongoing activities to monitor compliance with the Plan. In addition, on a bi-monthly basis the Energy Risk Management Committee (ERMC) monitors compliance to the Plan. Periodic internal audits have and will be performed to ensure controls continue to be adequate and function as management intends.

Q. Have there been any deviations from the Hedging Plan during the review period?

A. There were no deviations from the plan during the review period.

Q. Did the Company take any other actions to reduce price volatility for its customers?

A. The Company utilized storage as a physical hedge to stabilize cost. The Company's Equal Payment Plan and use of the PGA benchmark price and deferred cost accounting allowed for a smoothing effect on gas price volatility.

Q. What are some of the other steps Piedmont has taken to manage its gas costs consistent with its "best cost" policy during the review period?

A. During the past year, Piedmont has taken the following additional steps to manage its gas costs, consistent with its "best cost" policy:

(1) As previously discussed, Piedmont has actively participated in proceedings before the FERC and other regulatory agencies that could reasonably be expected to affect Piedmont's rates and services;

(2) Piedmont has utilized the flexibility available within its supply and capacity contracts to purchase and dispatch gas, release capacity and initiate secondary marketing sales in the most cost effective manner, resulting in South Carolina capacity release and secondary market sales credits of $5,720,250, an increase of $1,708,515 over the prior year;

(3) Piedmont has actively promoted more efficient peak day use of natural gas and load growth from "year-around" markets in order to improve the Company's load factor and reduce average unit costs; and

(4) Piedmont has reviewed its gas supply activities with its Energy Risk Management Committee, comprised of senior management and employees from other functional areas within the Company, in order for the gas supply department to receive input and direction on its performance and planning activities.

Q. Please summarize your testimony.

A. Piedmont's "best cost" purchasing policy provides the Company with a secure, reasonably priced supply of gas to meet the requirements of its customers. This policy and the Company's practice under this policy have been reviewed and found prudent on all occasions in South Carolina and the other state jurisdictions in which we operate. Although we believe our policies and procedures are reasonable, we are cognizant of the fact that the natural gas

industry is rapidly changing, and we are constantly monitoring our policies and procedures to keep up with, and even anticipate, these changing conditions. We have and will continue to meet with the Commission Staff to review current regulations and tariffs and explore possible changes that will better serve natural gas consumers in the future. We are satisfied that our existing policies and procedures are prudent and that they have produced and will continue to produce adequate amounts of reasonably priced gas for our customers.

Q. Does this conclude your testimony?

A. Yes.

EXHIBIT__(KPM-1)

Piedmont's Filing Activity

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
CP06-421-000	Transcontinental Gas Pipe Line	8/1/2006	neutral intervention	Application for a Certificate of Public Convenience and Necessity authorizing an incremental expansion of Transco's existing pipeline system ("Potomac Expansion Project") that will provide an additional 165,000 dekatherms per day of firm transportation capacity in Transco's Mid-Atlantic market area. Transco states that the estimated cost of the Potomac Expansion Project facilities will be $73.7 million.
CP06-430-000	Columbia Gas Transmission	8/28/2006	Motion to Intervene and Comments - Piedmont has concern that Columbia's proposal may have negative operational and cost implications to Columbia's firm storage service customers, and that Columbia's abbreviated application and request for shortened procedure in this docket prevents these issues of concern from being fully explored and evaluated. Furthermore, Columbia should bear the risk for any adverse effects on firm customer storage entitlements that may result from their proposal, particularly since it appears that Columbia is positioning itself with this application to sell interruptible service without providing any interruptible service revenue crediting to its firm customers.	Filing of an application pursuant to Section 7(c) of the Natural Gas Act, as amended, and Part 157 of Commission's regulations for a Certificate of Public Convenience and Necessity authorizing Columbia to increase the maximum volume of gas in storage in certain storage fields, on a temporary basis from August 2006 to April 2007, to a level above the amount currently certificated by the Commission for those storage fields. Columbia also requests that the Commission grant such approval by August 31, 2006.
CP07-31-000	Dominion Transmission	1/3/2007	Filed intervention.	On 12/8/2006, Dominion Transmission Inc. ("DTI") filed an application pursuant to section 7 of the Natural Gas Act, seeking authority to construct, install, own, operate, and maintain certain facilities located in Virginia, Maryland, West Virginia, Pennsylvania, and New York that comprise the USA Storage Project.
RP00-469-000	East Tennessee Gas Transmission	7/31/2006	neutral intervention	Pursuant to the Commission's 11/4/2004 Order, East Tennessee submits for filing its Segmentation Report. The report concludes that, at this time, East Tennessee cannot implement system-wide segmentation.
RP01-245-000	Transcontinental Gas Pipe Line	7/25/2006	Motion to intervene in Con Ed v. FERC Petition For Review in US Federal District Court	Base Rate proceeding

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP01-245-000	Transcontinental Gas Pipe Line	10/16/2006	Initial Comments in Support of the Stipulation and Agreement	Base Rate proceeding
RP04-98-002	Columbia Gulf Transmission	1/17/2007	Filed intervention	Filed tariff sheets proposing to adopt a 15 degree F cricondentherm HDP (CHDP), in compliance with FERC's 8/1/2006 order. The proceeding is the result of the Indicated Shippers filing a compliant against Columbia Gulf on 12/3/2003, alleging that Gulf failed to comply with Section 4 of the NGA by posting Critcal Notices on its website to establish a maximum acceptable BTU limit for gas receipts into its system.
RP04-99-000	Tennessee Gas Pipeline	3/19/2007	Piedmont with Atmos filed a joint protest to 02/26/2007 HDP settlement proposal; First, the proposed cricondotherm hydrocarbon dew point ("HDP") provisions set forth in the Offer of Settlement represent a significant increase in the ability of producers to bring "wet" gas onto the Tennessee system compared to what has been historically delivered to LDCs and end-users receiving service from Tennessee.2 Second, Tennessee's Offer of Settlement provides no protection to LDCs or endusers that will receive this "wet" gas from Tennessee at interconnect points where, due to the historic configuration of delivery facilities, the delivered pressure of gas remains much higher than the operating pressures used by such LDCs and end-users. Third, even if Tennessee's proposed HDP standard was appropriate, which it is not, the flexible nature of the HDP limitations as well as the "wait and see" approach incorporated into the related tariff provisions is not appropriate.	Indicated Shippers Filing of a Complaint for Fast-Track Processing against TGP. (Indicated Shippers is comprised of BP, ChevronTexaco, ConocoPhillips, ExxonMobil, and Shell.) The Indicated Shippers allege that TGP has violated Section 4 of the Natural Gas Act by imposing on shippers, producers, and interconnecting pipelines a hydrocarbon dew point limit ("HDP Limit") on gas entering its system through Critical Notice postings on its website as a means of avoiding the statutory and regulatory requirements for implementing tariff changes. The Indicated Shippers request that the Commission require TGP to cease and desist from this practice and propose a tariff change through a Section 4 filing if it wants to revise its quality specifications.
RP06-289-000		4/5/2006	neutral intervention	Filing to include in its FERC Gas Tariff a mechanism to address to contract extension rights for contracts that rely on off-system capacity that is acquired by TGP where TGP does not have the unilateral right to extend its contract for such off-system capacity at the end of the contract term. Proposed effective date of May 1, 2006.
RP06-292-000	Pine Needle LNG	4/6/2006	neutral intervention	Electric Power and Fuel Rate Tracker, effective May 1, 2006.

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP06-297-000	Tennessee Gas Pipeline	4/26/2006	neutral intervention	Petition for Declaratory Order under Rule 207 (a)(2) of the Commission's Regulations (18 C.F.R. §385.207(a)(2)) requesting that the Commission find that: (1) Columbia Gulf Transmission Company ("Columbia Gulf") is violating the Commission's orders in RP04-215-000 by refusing to allow the installation of two taps necessary for the Commission-directed interconnection on the Blue Water Project ; (2) Columbia Gulf must permit the taps to be installed and in service no later than ten days after the upstream facilities have been constructed by TGP; and (3) that Columbia Gulf's compliance with (1) and (2), is not conditioned by any other requirements.
RP06-316-000	Dominion Transmission	5/4/2006	neutral intervention	Filing to revise its tariff in order to clarify the liability for any loss of gas in storage and customers' responsibility to insure gas that they own. Proposed effective date of May 22, 2006.
RP06-317-000	Transcontinental Gas Pipe Line	5/4/2006	neutral intervention	Filing to add Section 31, "Waiver" to the General Terms and Conditions of its tariff. Transco states that the proposed Section 31 allows Transco to waive its rights and shippers' obligations under Transco's tariff on a not unduly discriminatory basis. Proposed effective date of 5/24/2006.

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP06-336-000	Pine Needle LNG	5/10/2006	Motion to Intervene and Protest - Piedmont finds that the proposed increase in depreciation rates for storage, transmission and intangible plant (from 2.5% to 4.5%, 3.63% and 4.03%, respectively), as well as the introduction of negative salvage rates for the storage and transmission facilities, appear neither just nor reasonable. Pine Needle's proposed depreciation rates are significantly different from the current depreciation rate of 2.5%, which the Commission found to be just and reasonable in both CP96-52 and RP02-407. At a minimum, Piedmont submits that greater examination of each of these issues is merited in this case. Therefore, Piedmont requests that the Commission suspend the effectiveness of Pine Needle's filing for the full five-month period permitted by the Natural Gas Act, and set this proceeding for a full evidentiary hearing.	NGA Section 4 Base Rate Filing Pursuant to Article IV of the Stipulation and Agreement under RP02-407. Proposed cost of service increase of $2,467,522 (from $18,250,000 underlying Pine Needle's current rates to $20,717,522). Principal factors: an increase in rate of return (proposing an overall rate of return of 11.01 percent, with an equity rate of return of 13.60 percent) and related taxes, an increase in depreciation expense and the establishment of negative salvage rates. The proposed effective date for the rates is June 1, 2006.
		12/27/2006	Filed comments in support of settlement.	NGA Section 4 Base Rate Filing Pursuant to Article IV of the Stipulation and Agreement under RP02-407. Proposed cost of service increase of $2,467,522 (from $18,250,000 underlying Pine Needle's current rates to $20,717,522). Principal factors: an increase in rate of return (proposing an overall rate of return of 11.01 percent, with an equity rate of return of 13.60 percent) and related taxes, an increase in depreciation expense and the establishment of negative salvage rates. The proposed effective date for the rates is June 1, 2006.
RP06-356-000	Transcontinental Gas Pipe Line	5/17/2006	neutral intervention	Filing to revise Transco's Form of Service Agreement under Rate Schedule FT by inserting alternative language in Article IV that will allow the contract effective date to be determined by the later of the anticipated in-service date of a project or the date that all of the project facilities necessary to provide firm transportation service have been constructed and are ready for service. proposed effective date of June 9, 2006.

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP06-365-000	Columbia Gas Transmission	6/6/2006	neutral intervention	Filing to incorporate into its FERC Gas Tariff certain gas quality specifications that Columbia Gas has used in its meter set agreements for receipt interconnects on its pipeline system since 1996
		12/22/2006	Refer to Docket RP06-231 for information on gas quality.	Filing to incorporate into its FERC Gas Tariff certain gas quality specifications that Columbia Gas has used in its meter set agreements for receipt interconnects on its pipeline system since 1996.
RP06-391-000	Tennessee Gas Pipeline	7/11/2006	Motion to intervene out of time	USGen New England, Inc. ("USGen"), filed a petition for a declaratory order pursuant to Rule 207 of the Commission's Rules and Regulations (18 C.F.R. § 385.207) declaring that (1) USGen is not contractually precluded from filing a Section 5 complaint against Tennessee Gas Pipeline Company ("TGP") challenging the reasonableness of its rates and fuel charges; and (2) TGP's tariff does not address the calculation of damages or mitigation of damages arising from a breach by a shipper, and state law consequently governs the determination of the mitigation of damages in the event of a breach.
RP06-406-000	Texas Eastern Transmission	7/3/2006	neutral intervention	Filing of semi-annual Electric Power Cost Adjustment to be effective August 1, 2006.
RP06-425-000	Transcontinental Gas Pipe Line	7/10/2006	neutral intervention	Filing of a Report of Refund detailing PAL and ICTS revenue sharing refunds paid on June 21, 2006
RP06-457-000		8/10/2006	neutral intervention	Filing to cancel of Rate Schedule FT-NT effective July 1, 2006
RP06-465-000	Texas Eastern Transmission	8/10/2006	neutral intervention	Texas Eastern, East Tennessee et al. filed for temporary waiver of certain tariff provisions, NAESB standards and FERC regulations due to LINK® system outages associated with the upcoming conversion of LINK® from the current mainframe platform to a client-server platform.
RP06-474-000	Dominion Transmission	8/16/2006	neutral intervention	Filing to decrease the ACA surcharge from $0.0018/dt or $0.0016/dt, effective 10/1/2006
RP06-487-000	Pine Needle LNG	8/18/2006	neutral intervention	Filing to decrease the ACA Charge in the commodity portion of Pine Needle's rates, from $0.0018/dt to $0.0016/dt, effective October 1, 2006.

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP06-488-000	Transcontinental Gas Pipe Line	8/18/2006	neutral intervention	Filing to decrease the ACA Charge in the commodity portion of Transco's rates, from $0.0018/dt to $0.0016/dt, effective October 1, 2006.
RP06-509-000	Texas Eastern Transmission	8/31/2006	neutral intervention	Filing to modify various sections of its tariff and to delete all reference to the Gas Research Institute surcharges, effective September 24, 2006
RP06-515-000	East Tennessee Gas Transmission	8/31/2006	neutral intervention	Filing to modify various sections of its tariff and to delete all reference to the Gas Research Institute surcharges, effective September 25, 2006.
RP06-569-000	Transcontinental Gas Pipe Line	9/12/2006	Motion to Intervene & Protest	Filing of Section 4 General Rate Increase - Transco states that the proposed cost of service in this filing is $1,131,526,068, compared to a cost of service of $717,154,080 underlying Transco's current rates which the Commission found just and reasonable in Docket No. RP01-245. Transco states that the increase in cost of service is due to a number of factors including an increase in operation and maintenance expenses, an increase in depreciation rates, an increase in the rate base, and an increase in the rate of return.
RP06-588-000	Texas Eastern Transmission	9/13/2006	neutral intervention	Filing of report on recalculation of Operational Segement Capacity Entitlements effective November 1, 2006.
RP06-596-000	Columbia Gulf Transmission	9/29/2006	neutral intervention	Filing to incorporate new credit policies into the existing General Terms and Conditions of its Tariff, with a proposed effective date of October 19, 2006.
RP07-107-000	Columbia Gas Transmission	12/21/2006	Filed intervention	On 12/12/2006, Pepco Energy Services, Inc.(Pepco) filed a formal complaint against Columbia Gas Transmission Corporation pursuant to sections 4 and 5 of the Natural Gas Act, alleging that Columbia's capacity auction held on November 8, 2006, was unjust and unreasonable and unduly discriminatory against Pepco. Pepco states that there were serious flaws in Columbia's Navigator system during the auction.
RP07-125-000	Columbia Gulf Transmission	1/8/2007	Submitted a"plain vanilla" intervention.	On 12/29/2006, Columbia Gulf filed proposed tariff sheets which established procedures for Columbia Gulf to perform operational sales and purchases of natural gas.

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP07-147-000	Transcontinental Gas Pipe Line	2/5/2007	Motion to intervene	Transco filed to extend the predetermined allocation deadline stated in Section 18.1 of the GT&C of its tariff and to clarify the language contained in Section 28.1 of the GT&C related to the handling of nominations received after the Intraday Nomination Cycle. Transco proposes to allow receipt and delivery point operators to submit their PDAs to the pipeline at 10:30 am the day following gas flow instead of 8:00 pm CCT on the day of gas flow. Transco also proposed to revise the tariff language in order to correct an imprecise description of its "reasonable efforts" accommodation of nominations received after ID2 Nomination Cycle. Transco proposes to delete the word intraday.
RP07-151-000	Tennessee Gas Pipeline	2/9/2007	Motion to intervene	TGP filed as part of its FERC Gas Tariff, Fifth Revised Volume No. 1, certain tariff sheets proposed to become effective March 1, 2007. TGP states that the purpose of this filing is to revise the off-system capacity provision of its FERC Gas Tariff to allow TGP to use off-system capacity at a specific shipper's behest for service to that shipper, provided the shipper is willing to pay an additional amount not to exceed the charges TGP is obligated to pay the third party for the off-system capacity to be used for the benefit of the shipper.
RP07-171-000	Columbia Gas Transmission	2/27/2007	Motion to intervene	On February 15, 2007, Columbia submitted a revision of the General Terms and Conditions of its Tariff to close a loophole that currently exists with respect to inventory transfers involving rate schedule SIT to become effective March 17, 2007.
RP07-172-000	Columbia Gulf Transmission	2/27/2007	Motion to intervene	On February 15, 2007, Columbia Gulf submitted revised tariff sheets to make available for future sale capacity that is (1) currently unsubscribed, (2) under expiring or terminating service agreements which do not have a right of first refusal or for which a shipper does not exercise its right of first refusal; or (3) available due to modification, construction and/or acquisition of facilities to become effective March 17, 2007.

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP07-174-000	Columbia Gulf Transmission	2/28/2007	Motion to intervene and protest. PNG protested GC proposal to implement daily scheduling penalties on its system and requested that the proposed penalty structure be summarily rejected by FERC on the grounds that it is not supported by evidence establishing the operational need for such penalties and because it is otherwise unduly discriminatory, unjust and unreasonable. In the alternative, PNG requested that CG's daily scheduling penalty proposal be suspended for the maximum period permitted and set for hearing.	On February 16, 2007, Columbia Gulf tendered for filing as part of its FERC Gas Tariff, Second Revised Volume No. 1, certain tariff sheets with a proposed effective date of June 1, 2007. According to Columbia, it proposes to implement a new daily scheduling penalty and monthly imbalance resolution process in conjunction with the launch of its new EBB system.
RP07-178-000	Transcontinental Gas Pipe Line	3/5/2007	Motion to intervene	On February 20, 2007, Transco tendered for filing, tariff sheets for the purpose of adding Section 55, "Reservation of Capacity" to the General Terms and Conditions of it's tariff. Transco states that the proposed Section 55 sets forth the conditions under which it may enter into a service agreement to start at a specific date up to three years in the future and the conditions under which it may reserve capacity for an upcoming pipeline expansion project.
RP07-328-000		3/9/2007	Motion to intervene	Transco filed to implement its redetermined fuel retention percentages applicable to transportation and storage rate schedules, to be effective 4/1/2007.
		3/16/2007	Motion to intervene out of time.	Transco filed to implement its redetermined fuel retention percentages applicable to transportation and storage rate schedules, to be effective 4/1/2007.
RP07-334-000	Columbia Gas Transmission	3/9/2007	Motion to Intervene	On March 1, 2007, Columbia Gas Transmission Corporation ("Columbia Gas") submitted revised tariff sheets to update their Electric Power Costs Adjustment charge to become effective April 1, 2007.
RP07-335-000		3/9/2007	Motion to Intervene	On March 1, 2007, Columbia Gas Transmission Corporation ("Columbia Gas") submitted revised tariff sheets to update their Retainage Adjustment Mechanism to become effective April 1, 2007.
RP07-336-000		3/9/2007	Motion to Intervene	On March 1, 2007, Columbia Gas Transmission Corporation ("Columbia Gas") submitted revised tariff sheets to update their Transportation Costs Rate Adjustment rates to become effective April 1, 2007.

Docket Number	*Pipeline*	*Activity Date*	*Filing Statement*	*Docket Description*
RP07-337-000	Columbia Gulf Transmission	3/9/2007	Motion to Intervene	On March 1, 2007, Columbia Gulf Transmission Company ("Columbia Gulf") submitted revised tariff sheets to update their Transportation Retainage Adjustment Charge effective April 1, 2007
RP07-338-000	Transcontinental Gas Pipe Line	3/16/2007	Motion to intervene out of time	Transco filed to implement its Transmission Electric Power (TEP) rates, to be effective 4/1/2007.
RP07-340-000	Columbia Gas Transmission	3/19/2007	Protest - It is not supported by evidence establishing the operational need for such penalties and it is otherwise unduly discriminatory, unjust and unreasonable. Proposal fails to account for situations where customer imbalances help the system. The filing indicates the motices are more economic than operational. Filing will have disproportionate impact on shippers with small contract entitlements and who serve heat sensiteve loads and whose demand for gas changes with the weather.	Columbia Gas proposed to implement Daily Delivery Point Scheduling penalties for Shippers who are 5% out of balance or 2% out of balance on critical notices.
RP07-344-000	Transcontinental Gas Pipe Line	3/19/2007	Motion to intervene	Transco filed revised tariff for the purpose of updating the lists of Buyers in Section 9 of Rate Schedule WSS and Section 8.2 of Rate Schedule WSS-Open Access ("WSS-OA"/ to reflect certain conversions to Rate Schedule WSS-OA service and/or the permanent release of that service to a new Replacement Buyer.
RP07-348-000	Columbia Gulf Transmission	3/28/2007	Motion to Intervene	Columbia Gulf is proposing to clarify how requisite credit assurance for non-firm services would be determined. Similar to the requirements for firm service, the credit assurance for non-firm services will also be based on the 3 highest months of usage.
RP07-351-000	Columbia Gas Transmission	3/28/2007	Motion to Intervene	Columbia Gas is proposing to incorporate the newly stated credit policies into the GTC of its Tariff where creditworthiness and related issues are currently addressed.

EXHIBIT__(KPM-2)

Firm Design Day Requirements Excluding Special Firm Transportation Contracts

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
North Carolina - West								
Customer growth %		2.31200%	2.31200%	2.31200%	2.31200%	2.31200%	2.31200%	2.31200%
Total Firm Usage	805,441	824,066	843,122	862,618	882,565	902,973	923,853	945,216
5% Reserve Margin	40,272	41,203	42,156	43,131	44,128	45,149	46,193	47,261
Total Firm w/ Reserve	845,713	865,269	885,278	905,749	926,693	948,122	970,046	992,477
North Carolina - East								
Customer growth %		2.00100%	2.00100%	2.00100%	2.00100%	2.00100%	2.00100%	2.00100%
Total Firm Usage	282,117	287,762	293,520	299,393	305,383	311,493	317,725	324,082
5% Reserve Margin	14,106	14,388	14,676	14,970	15,269	15,575	15,886	16,204
Net Firm w/ Reserve	296,223	302,150	308,196	314,363	320,652	327,068	333,611	340,286
South Carolina								
Customer growth %		1.14800%	1.14800%	1.14800%	1.14800%	1.14800%	1.14800%	1.14800%
Total Firm Usage	178,062	180,106	182,174	184,265	186,380	188,520	190,684	192,873
5% Reserve Margin	8,903	9,005	9,109	9,213	9,319	9,426	9,534	9,644
Total Firm w/ Reserve	186,965	189,111	191,283	193,478	195,699	197,946	200,218	202,517
Total Carolinas								
Customer growth %		2.08000%	2.08000%	2.08000%	2.08000%	2.09000%	2.09000%	2.09000%
Total Firm Usage	1,265,620	1,291,934	1,318,816	1,346,276	1,374,328	1,402,986	1,432,262	1,462,171
5% Reserve Margin	63,281	64,597	65,941	67,314	68,716	70,149	71,613	73,109
Net Firm w/ Reserve	1,328,901	1,356,531	1,384,757	1,413,590	1,443,044	1,473,135	1,503,875	1,535,280

Firm Design Day Requirements Excluding Special Firm Transportation Contracts

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
North Carolina - West		2.24000%							
Res. Customer Growth %	3.35000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%
Comm. Customer Growth %	1.68000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%
Total Residential Usage	495,242	510,595	526,423	542,742	559,567	576,914	594,798	613,237	632,247
Total Commercial Usage	282,631	285,712	288,826	291,974	295,157	298,374	301,626	304,914	308,238
Total Firm Industrial Usage	46,301	46,301	46,301	46,301	46,301	46,301	46,301	46,301	46,301
Total Firm Usage	824,174	842,608	861,550	881,017	901,025	921,589	942,725	964,452	986,786
5% Reserve Margin	24,762	25,530	26,321	27,137	27,978	28,846	29,740	30,662	31,612
Total Firm w/ Reserve	848,936	868,138	887,871	908,154	929,003	950,435	972,465	995,114	1,018,398
North Carolina - East									
Res. Customer Growth %	0.71000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%	3.10000%
Comm. Customer Growth %	0.34000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%	1.09000%
Total Residential Usage	143,881	148,341	152,940	157,681	162,569	167,609	172,805	178,162	183,685
Total Commercial Usage	117,288	118,566	119,858	121,164	122,485	123,820	125,170	126,534	127,913
Total Firm Industrial Usage	45,451	45,451	45,451	45,451	45,451	45,451	45,451	45,451	45,451
Total Firm Usage	306,620	312,358	318,249	324,296	330,505	336,880	343,426	350,147	357,049
5% Reserve Margin	15,331	15,618	15,912	16,215	16,525	16,844	17,171	17,507	17,852
Net Firm w/ Reserve	321,951	327,976	334,161	340,511	347,030	353,724	360,597	367,654	374,901
South Carolina									
Res. Customer Growth %	0.41000%	1.80000%	1.80000%	1.80000%	1.80000%	1.80000%	1.80000%	1.80000%	1.80000%
Comm. Customer Growth %	0.18000%	0.26000%	0.26000%	0.26000%	0.26000%	0.26000%	0.26000%	0.26000%	0.26000%
Total Residential Usage	104,951	106,840	108,763	110,721	112,714	114,743	116,808	118,911	121,051
Total Commercial Usage	62,438	62,600	62,763	62,926	63,090	63,254	63,418	63,583	63,748
Total Firm Industrial Usage	7,643	7,643	7,643	7,643	7,643	7,643	7,643	7,643	7,643
Total Firm Usage	175,032	177,083	179,169	181,290	183,447	185,640	187,869	190,137	192,442
5% Reserve Margin	8,752	8,854	8,958	9,065	9,172	9,282	9,393	9,507	9,622
Total Firm w/ Reserve	183,784	185,937	188,127	190,355	192,619	194,922	197,262	199,644	202,064
Total Carolinas		2.01000%	2.02000%	2.03000%	2.05000%	2.06000%	2.07000%	2.08000%	2.10000%
Res. Customer Growth %	2.41000%	2.92000%	2.92000%	2.92000%	2.92000%	2.92000%	2.93000%	2.93000%	2.93000%
Comm. Customer Growth %	1.13000%	0.98000%	0.98000%	0.98000%	0.98000%	0.98000%	0.98000%	0.98000%	0.98000%
Total Residential Usage	744,074	765,776	788,126	811,144	834,850	859,266	884,411	910,310	936,983
Total Commercial Usage	462,357	466,878	471,447	476,064	480,732	485,448	490,214	495,031	499,899
Total Firm Industrial Usage	99,395	99,395	99,395	99,395	99,395	99,395	99,395	99,395	99,395
Total Firm Usage	1,305,826	1,332,049	1,358,968	1,386,603	1,414,977	1,444,109	1,474,020	1,504,736	1,536,277
5% Reserve Margin	65,291	66,602	67,948	69,330	70,749	72,205	73,701	75,237	76,814
Total Firm w/ Reserve	1,371,117	1,398,651	1,426,916	1,455,933	1,485,726	1,516,314	1,547,721	1,579,973	1,613,091

Carolinas Demand & Supply Schedule
2.08% Carolinas Demand Growth Rate

	(All Values in Dt/d)				102.08%	102.08%	102.08%	102.08%	102.08%	102.08%
	DEMAND	**Winter Period:**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
1	System Design Day Demand [1]		1,260,847	1,291,934	1,318,841	1,346,308	1,374,347	1,402,971	1,432,190	1,462,018
2	Reserve Margin on Design Day Demand (5%)		63,047	64,597	65,942	67,315	68,717	70,149	71,610	73,101
3	*Subtotal Demand*		**1,323,894**	**1,356,531**	**1,384,783**	**1,413,624**	**1,443,065**	**1,473,119**	**1,503,800**	**1,535,119**
4	*Less:*									
5	Firm Transportation Without Standby		(44,000)	(44,000)						
6	***Total Demand***		**1,279,894**	**1,312,531**	**1,384,783**	**1,413,624**	**1,443,065**	**1,473,119**	**1,503,800**	**1,535,119**
7	***SUPPLY***									
8	***Firm Supplies***	Days								
9	**Transco**	FT	365	376,016	376,016	376,016	376,016	376,016	376,016	376,016	376,016
10		FT Incremental	365	6,440	6,440	6,440	6,440	6,440	6,440	6,440	6,440
11		FT PS Conversion	90	6,314	6,314	6,314	6,314	6,314	6,314	6,314	6,314
12		FT Southern Expansion	151	72,502	72,502	72,502	72,502	72,502	72,502	72,502	72,502
13		FT SE '94/95/96	365	129,485	129,485	129,485	129,485	129,485	129,485	129,485	129,485
14		FT-NT	365	13,232							
15		GSS Storage	55	77,475	77,475	77,475	77,475	77,475	77,475	77,475	77,475
16		LNG (formerly LG-A)	5	8,643	8,643	8,643	8,643	8,643	8,643	8,643	8,643
17		Sunbelt	365	41,400	41,400	41,400	41,400	41,400	41,400	41,400	41,400
18	*Transco Total*			731,507	718,275	718,275	718,275	718,275	718,275	718,275	718,275
19											
20	**Columbia Gas**										
21		FTS	365	32,801	32,801	32,801	32,801	32,801	32,801	32,801	32,801
22		NTS	365	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
23		FSS/SST	59	86,368	86,368	86,368	86,368	86,368	86,368	86,368	86,368
24	*Columbia Gas Total*			129,169	129,169	129,169	129,169	129,169	129,169	129,169	129,169
25											
26	**Dominion**	GSS [2]			13,000	13,000	13,000	13,000	13,000	13,000	13,000
27											
28	**Hardy Storage**	HSS [3]				39,111	58,667	68,835	68,835	68,835	68,835
29											
30	**East Tennessee**	FT [4]		24,798	44,798	44,798	44,798	44,798	44,798	44,798	44,798
31											
32	***Firm Supplies Total***			**885,474**	**905,242**	**944,353**	**963,909**	**974,077**	**974,077**	**974,077**	**974,077**
33											
34	***Peaking Supplies***										
35		LNG - local	10	188,000	188,000	188,000	188,000	188,000	188,000	188,000	188,000
36		Pine Needle	10	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
37		Pine Needle	10	248,400	248,400	248,400	248,400	248,400	248,400	248,400	248,400
38	***Peaking Supplies Total***			**451,400**	**451,400**	**451,400**	**451,400**	**451,400**	**451,400**	**451,400**	**451,400**
39											
40	***Total Supply***			**1,336,874**	**1,356,642**	**1,395,753**	**1,415,309**	**1,425,477**	**1,425,477**	**1,425,477**	**1,425,477**
41	**Surplus(Deficit)**			**56,880**	**44,111**	**10,970**	**1,685**	**(17,588)**	**(47,642)**	**(78,323)**	**(109,642)**

1/ Design Day Demand estimates for 2005-06 are as of August 2005. Design Day Demand estimates for 2006-07 and beyond are as of May 2006.

2/ Dominion GSS will be delivered to Piedmont's citygate using Dominion FT-GSS capacity, Transco FT-NT capacity, and Transco mainline IT Backhaul capacity.

3/ Hardy Storage quantities are delivered to Piedmont's citygate via TPS capacity on Columbia Gas and firm segmented backhaul capacity on Transco.

4/ East Tennessee will redeliver quantities taken off TETCO for 2005-06, and redeliver quantites taken off TETCO & Midwestern starting in 2006-2007.

Carolinas Demand & Supply Schedule
2.01% Carolinas Demand Growth Rate

	(All Values in Dt/d)				102.01%	102.01%	102.01%	102.01%	102.01%	102.01%	102.01%
	DEMAND	**Winter Period:**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
1	System Design Day Firm Sendout [1]		1,293,436	1,332,049	1,358,823	1,386,135	1,413,996	1,442,417	1,471,410	1,500,985	1,531,155
2	Reserve Margin on Design Day Demand (5%)		64,672	66,602	67,941	69,307	70,700	72,121	73,571	75,049	76,558
3	*Subtotal Demand*		1,358,108	1,398,651	1,426,764	1,455,442	1,484,696	1,514,538	1,544,981	1,576,034	1,607,713
4	*Less:*										
5	Firm Transportation Without Standby [2]		(44,000)	(51,114)							
6	***Total Firm Sales Demand***		1,314,108	1,347,537	1,426,764	1,455,442	1,484,696	1,514,538	1,544,981	1,576,034	1,607,713
7	***SUPPLY***										
8	***Firm Supplies***	Days									
9	**Transco**	FT	376,016	376,016	376,016	376,016	376,016	376,016	376,016	376,016	376,016
10	**Transco**	FT - 1002268	6,440	***6,440***	***6,440***	***6,440***	***6,440***	***6,440***	***6,440***	***6,440***	***6,440***
11	**Transco**	FT SE '94/95/96	129,485	129,485	129,485	129,485	129,485	129,485	129,485	129,485	129,485
12	**Transco**	Sunbelt	41,400	41,400	41,400	41,400	41,400	41,400	41,400	41,400	***41,400***
13	**Columbia Gas**	FTS	32,801	32,801	32,801	32,801	32,801	***32,801***	***32,801***	***32,801***	***32,801***
14	**Columbia Gas**	NTS	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
15	**East Tennessee**	FT [3]	44,798	44,798	44,798	44,798	44,798	44,798	44,798	44,798	44,798
16	*Total Year Round*		640,940	640,940	640,940	640,940	640,940	640,940	640,940	640,940	640,940
17											
18	**Transco**	FT Southern Expansion	72,502	***72,502***	***72,502***	***72,502***	***72,502***	***72,502***	***72,502***	***72,502***	***72,502***
19	**Transco**	FT - 1004995	6,314	6,314	6,314	6,314	***6,314***	***6,314***	***6,314***	***6,314***	6,314
20	*Total Winter Only*		78,816	78,816	78,816	78,816	78,816	78,816	78,816	78,816	78,816
21											
22	**Hardy Storage**	HSS [4]	69	39,111	58,667	68,835	68,835	68,835	68,835	68,835	68,835
23	**Dominion**	GSS [5]	60	13,000	13,225	13,225	13,225	13,225	13,225	13,225	13,225
24	**Columbia Gas**	FSS/SST	59	86,368	86,368	86,368	86,368	***86,368***	***86,368***	***86,368***	***86,368***
25	**Transco**	GSS Storage	55	77,475	77,475	77,475	77,475	77,475	77,475	77,475	77,475
26	*Total Storage*			176,843	216,179	235,735	245,903	245,903	245,903	245,903	245,903
27											
28	***Firm Supplies Total***			896,599	935,935	955,491	965,659	965,659	965,659	965,659	965,659
29											
30	***Peaking Supplies***										
31	**Piedmont**	LNG - local	10	188,000	188,000	188,000	188,000	188,000	188,000	188,000	188,000
32	**Transco**	Pine Needle	10	15,000							
33	**Transco**	Pine Needle	10	248,400	263,400	263,400	263,400	263,400	263,400	263,400	263,400
34	**Transco**	LNG (formerly LG-A)	5	8,643	8,643	8,643	8,643	8,643	8,643	8,643	8,643
35	***Peaking Supplies Total***			460,043	460,043	460,043	460,043	460,043	460,043	460,043	460,043
36											
37	***Total Supply***			1,356,642	1,395,978	1,415,534	1,425,702	1,425,702	1,425,702	1,425,702	1,425,702
38	**Surplus(Deficit)**			42,534	48,441	(11,230)	(29,740)	(58,994)	(88,836)	(119,279)	(150,332)	(182,011)

1/ Design Day Demand estimates for 2006-07 are as of July 2006. Design Day Demand estimates for 2007-08 and beyond are as of June 2007.

2/ Firm Transporation Without Standby respresents the quantity of gas estimated to be delivered by Piedmont's Rate Schedule 113 and 213 customers on design day. These customers can elect either transportation or sales service on an annual basis. Since the System Design Day Demand estimate on line 1 captures the demand of all firm large volume customers, an adjustment is made on line 5 for those customers who have elected firm transportation service (Rate Schedules 113 and 213) instead of firm sales services (Rate Schedules 103 and 203) for the coming winter.

3/ East Tennessee quantities are delivered to Cascade Creek via TPS service on Columbia Gas Transmission and and then to Piedmont's citygate via an FT segmented backhaul on Transco.

4/ Hardy Storage quantities are delivered to Piedmont's citygate via TPS service on Columbia Gas Transmission to Transco Boswells Tavern and FT segmented backhaul on Transco.

5/ Dominion GSS will be delivered to Piedmont's citygate using Dominion FTGSS service, Transco FT service Leidy to Princeton Junction "Station 210" and a Transco mainline IT backhaul service to the Piedmont citygate.

EXHIBIT__(KPM-3)

North Carolina - West

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days 0.0

		Current Forecast				
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
Customers						
Rate 21- Standard SU	193,951	199,770	205,763	211,936	218,294	224,843
Rate 01 - Value SU	197,167	203,082	209,174	215,449	221,912	228,569
Rate 01 - Value MU	18,962	19,531	20,117	20,721	21,343	21,983
Rate 21 - Standard MU	30,692	31,613	32,561	33,538	34,544	35,580
Rate 02 standard	35,467	35,893	36,324	36,760	37,201	37,647
Rate 32 Value	12,068	12,213	12,360	12,508	12,658	12,810
Rate 52 standard	87	88	89	90	91	92
Rate 62 Value	278	281	284	287	290	293
Rate 42 - MF	9	9	9	9	9	9
Rate 103	31	31	31	31	31	31
Rate 113	145	145	145	145	145	145
Total Customers	488,681	502,480	516,681	531,298	546,342	561,826

							12-Months Ending 3/06	
Firm Base Load Requirements Excluding Special Contracts (DTs)							Heat Factor	Base Factor
Rate 21- Standard SU	4,482	4,617	4,755	4,898	5,045	5,196	0.01405	0.02311
Rate 01 - Value SU	13,098	13,491	13,895	14,312	14,742	15,184	0.01683	0.06643
Rate 01 - Value MU	1,085	1,118	1,151	1,186	1,221	1,258	0.00845	0.05722
Rate 21 - Standard MU	636	655	675	695	716	738	0.00736	0.02073
Rate 02 standard	2,207	2,233	2,260	2,287	2,315	2,342	0.06790	0.06222
Rate 32 Value	15,653	15,841	16,032	16,224	16,418	16,616	0.04937	1.29708
Rate 52 standard	207	209	211	214	216	219	2.33730	2.37628
Rate 62 Value	6,443	6,513	6,582	6,652	6,721	6,791	0.59890	23.17738
Rate 42 - MF	34	34	34	34	34	34	0.00000	3.78534
Rate 103	2,161	2,161	2,161	2,161	2,161	2,161	2.00208	69.70959
Rate 113	17,841	17,841	17,841	17,841	17,841	17,841	1.77876	123.04257
Co Use & Unacct	830	841	853	865	877	889	1.30%	
Requirements	64,677	65,554	66,450	67,369	68,307	69,269		
Reserve Margin(5%)	3,234	3,278	3,323	3,368	3,415	3,463		
Total Demand	67,911	68,832	69,773	70,737	71,722	72,732		

North Carolina - East

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast				
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
Customers						
Rate 21- Standard SU	66,678	68,678	70,738	72,860	75,046	77,297
Rate 01 - Value SU	47,998	49,438	50,921	52,449	54,022	55,643
Rate 01 - Value MU	391	403	415	427	440	453
Rate 21 - Standard MU	120	124	128	132	136	140
Rate 02 standard	10,599	10,726	10,855	10,985	11,117	11,250
Rate 32 Value	5,062	5,123	5,184	5,246	5,309	5,373
Rate 52 standard	21	21	21	21	21	21
Rate 62 Value	100	101	102	103	104	105
Rate 42 - MF	0	0	0	0	0	0
Rate 103	19	19	19	19	19	19
Rate 113	75	75	75	75	75	75
Ft. Bragg	1	1	1	1	1	1
Pilkington	1	1	1	1	1	1
Municipalities	4	4	4	4	4	4
Total Customers	131,069	134,714	138,464	142,323	146,295	150,382

Firm Base Load Requirements Including Military, Float Glass, & Municipalities (DTs)						
Rate 21- Standard SU	1,828	1,883	1,940	1,998	2,058	2,119
Rate 01 - Value SU	2,111	2,175	2,240	2,307	2,376	2,448
Rate 01 - Value MU	13	13	14	14	14	15
Rate 21 - Standard MU	3	3	3	4	4	4
Rate 02 standard	2,119	2,145	2,170	2,196	2,223	2,249
Rate 32 Value	6,884	6,967	7,050	7,134	7,220	7,307
Rate 52 standard	172	172	172	172	172	172
Rate 62 Value	3,115	3,146	3,177	3,209	3,240	3,271
Rate 42 - MF	0	0	0	0	0	0
Rate 103	2,043	2,043	2,043	2,043	2,043	2,043
Rate 113	10,626	10,626	10,626	10,626	10,626	10,626
Ft. Bragg	2,631	2,631	2,631	2,631	2,631	2,631
Pilkington	8,532	8,532	8,532	8,532	8,532	8,532
Municipalities	7,731	7,731	7,731	7,731	7,731	7,731
Co Use & Unacct	622	625	628	632	635	639
Requirements	48,430	48,692	48,957	49,229	49,505	49,787
Reserve Margin(5%)	2,422	2,435	2,448	2,461	2,475	2,489
Total Demand	50,852	51,127	51,405	51,690	51,980	52,276

12-Months Ending 3/06	
Heat Factor	Base Factor
0.01425	0.02742
0.01791	0.04399
0.00373	0.03256
0.00588	0.02653
0.05585	0.19995
0.03477	1.35987
2.05585	8.19886
0.26642	31.15112
0.00000	0.00000
0.00000	107.50423
0.88976	141.67754
120.24338	2,631.01584
0.00000	8,532.10438
374.29167	1,932.86996
1.30%	

South Carolina

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast				
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
Customers						
Rate 21- Standard SU	57,002	58,712	60,473	62,287	64,156	66,081
Rate 01 - Value SU	44,533	45,869	47,245	48,662	50,122	51,626
Rate 01 - Value MU	5,167	5,322	5,482	5,646	5,815	5,989
Rate 21 - Standard MU	5,219	5,376	5,537	5,703	5,874	6,050
Rate 02 standard	10,280	10,403	10,528	10,654	10,782	10,911
Rate 32 Value	3,623	3,666	3,710	3,755	3,800	3,846
Rate 52 standard	23	23	23	23	23	23
Rate 62 Value	84	85	86	87	88	89
Rate 42 - MF	2	2	2	2	2	2
Rate 103	7	7	7	7	7	7
Rate 113	41	41	41	41	41	41
Total Customers	125,981	129,506	133,134	136,867	140,710	144,665

							12-Months Ending 3/06	
Firm Base Load Requirements Excluding Special Contracts (DTs)							Heat Factor	Base Factor
Rate 21- Standard SU	1,069	1,101	1,134	1,169	1,204	1,240	0.01344	0.01876
Rate 01 - Value SU	2,850	2,935	3,023	3,114	3,207	3,304	0.01658	0.06399
Rate 01 - Value MU	316	326	335	345	356	366	0.00736	0.06119
Rate 21 - Standard MU	112	116	119	123	126	130	0.00732	0.02152
Rate 02 standard	602	609	617	624	632	639	0.05576	0.05857
Rate 32 Value	5,027	5,086	5,147	5,210	5,272	5,336	0.04104	1.38745
Rate 52 standard	123	123	123	123	123	123	2.37982	5.36292
Rate 62 Value	2,077	2,102	2,126	2,151	2,176	2,201	0.48258	24.72628
Rate 42 - MF	7	7	7	7	7	7	0.04319	3.31326
Rate 103	431	431	431	431	431	431	2.93350	61.62693
Rate 113	4,595	4,595	4,595	4,595	4,595	4,595	0.48396	112.06775
Co Use & Unacct	224	227	230	233	236	239	1.30%	
Requirements	17,433	17,658	17,887	18,125	18,365	18,611		
Reserve Margin(5%)	872	883	894	906	918	931		
Total Demand	18,305	18,541	18,781	19,031	19,283	19,542		

Total Carolinas (NC East, NC West, SC)

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast				
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
Customers						
Rate 21- Standard SU	317,631	327,160	336,974	347,083	357,496	368,221
Rate 01 - Value SU	289,698	298,389	307,340	316,560	326,056	335,838
Rate 01 - Value MU	24,520	25,256	26,014	26,794	27,598	28,425
Rate 21 - Standard MU	36,031	37,113	38,226	39,373	40,554	41,770
Rate 02 standard	56,346	57,022	57,707	58,399	59,100	59,808
Rate 32 Value	20,753	21,002	21,254	21,509	21,767	22,029
Rate 52 standard	131	132	133	134	135	136
Rate 62 Value	462	467	472	477	482	487
Rate 42 - MF	11	11	11	11	11	11
Rate 103	57	57	57	57	57	57
Rate 113	261	261	261	261	261	261
Ft. Bragg	1	1	1	1	1	1
Pilkington	1	1	1	1	1	1
Municipalities	4	4	4	4	4	4
Total Customers	745,907	766,876	788,455	810,664	833,523	857,049
Firm Base Load Requirements Excluding Special Contracts (DTs)						
Rate 21- Standard SU	7,379	7,601	7,829	8,065	8,307	8,555
Rate 01 - Value SU	18,059	18,601	19,158	19,733	20,325	20,936
Rate 01 - Value MU	1,414	1,457	1,500	1,545	1,591	1,639
Rate 21 - Standard MU	751	774	797	822	846	872
Rate 02 standard	4,928	4,987	5,047	5,107	5,170	5,230
Rate 32 Value	27,564	27,894	28,229	28,568	28,910	29,259
Rate 52 standard	502	504	506	509	511	514
Rate 62 Value	11,635	11,761	11,885	12,012	12,137	12,263
Rate 42 - MF	41	41	41	41	41	41
Rate 103	4,635	4,635	4,635	4,635	4,635	4,635
Rate 113	33,062	33,062	33,062	33,062	33,062	33,062
Ft. Bragg	2,631	2,631	2,631	2,631	2,631	2,631
Pilkington	8,532	8,532	8,532	8,532	8,532	8,532
Municipalities	7,731	7,731	7,731	7,731	7,731	7,731
Co Use & Unacct	1,676	1,693	1,711	1,730	1,748	1,767
Total Requirements	130,540	131,904	133,294	134,723	136,177	137,667
Reserve Margin(5%)	6,527	6,595	6,665	6,736	6,809	6,883
Total Demand	137,067	138,499	139,959	141,459	142,986	144,550

North Carolina - West

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days 0.0

		Current Forecast				
	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011	Jan 2012
Customers						
Rate 21- Standard SU	204,848	211,198	217,745	224,495	231,454	238,629
Rate 01 - Value SU	198,748	204,909	211,261	217,810	224,562	231,523
Rate 01 - Value MU	19,562	20,168	20,793	21,438	22,103	22,788
Rate 21 - Standard MU	32,389	33,393	34,428	35,495	36,595	37,729
Rate 02 standard	35,518	35,905	36,296	36,692	37,092	37,496
Rate 32 Value	12,846	12,986	13,128	13,271	13,416	13,562
Rate 52 standard	74	75	76	77	78	79
Rate 62 Value	267	270	273	276	279	282
Rate 42 - MF	9	9	9	9	9	9
Rate 103	37	37	37	37	37	37
Rate 113	135	135	135	135	135	135
Total Customers	504,261	518,913	534,009	549,563	565,588	582,097

							12-Months Ending 3/07	
Firm Base Load Requirements Excluding Special Contracts (DTs)							Heat Factor	Base Factor
Rate 21- Standard SU	3,513	3,622	3,734	3,850	3,969	4,092	0.01415	0.01715
Rate 01 - Value SU	12,378	12,762	13,157	13,565	13,986	14,419	0.01681	0.06228
Rate 01 - Value MU	1,046	1,079	1,112	1,147	1,182	1,219	0.00862	0.05348
Rate 21 - Standard MU	561	578	596	614	633	653	0.00756	0.01731
Rate 02 standard	1,597	1,614	1,632	1,649	1,667	1,685	0.06626	0.04495
Rate 32 Value	17,365	17,554	17,746	17,939	18,135	18,333	0.04460	1.35176
Rate 52 standard	266	270	273	277	280	284	2.35906	3.59485
Rate 62 Value	6,609	6,683	6,757	6,832	6,906	6,980	0.58753	24.75272
Rate 42 - MF	30	30	30	30	30	30	0.00000	3.31294
Rate 103	3,460	3,460	3,460	3,460	3,460	3,460	2.39448	93.50627
Rate 113	15,200	15,200	15,200	15,200	15,200	15,200	2.03362	112.59526
Co Use & Unacct	806	817	828	839	851	863	1.30%	
Requirements	62,831	63,669	64,525	65,402	66,299	67,218		
Reserve Margin(5%)	3,142	3,183	3,226	3,270	3,315	3,361		
Total Demand	65,973	66,852	67,751	68,672	69,614	70,579		

North Carolina - East

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast				
	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011	Jan 2012
Customers						
Rate 21- Standard SU	69,885	72,051	74,285	76,588	78,962	81,410
Rate 01 - Value SU	48,478	49,981	51,530	53,127	54,774	56,472
Rate 01 - Value MU	491	506	522	538	555	572
Rate 21 - Standard MU	323	333	343	354	365	376
Rate 02 standard	10,836	10,954	11,073	11,194	11,316	11,439
Rate 32 Value	5,065	5,120	5,176	5,232	5,289	5,347
Rate 52 standard	22	22	22	22	22	22
Rate 62 Value	110	111	112	113	114	115
Rate 42 - MF	0	0	0	0	0	0
Rate 103	13	13	13	13	13	13
Rate 113	88	88	88	88	88	88
Military	2	2	2	2	2	2
Float Glass	1	1	1	1	1	1
Municipalities	4	4	4	4	4	4
Total Customers	135,318	139,186	143,171	147,276	151,505	155,861

							12-Months Ending 3/07	
Firm Base Load Requirements Including Military, Float Glass, & Municipalities (DTs)							Heat Factor	Base Factor
Rate 21- Standard SU	1,023	1,055	1,088	1,121	1,156	1,192	0.01386	0.01464
Rate 01 - Value SU	2,819	2,906	2,996	3,089	3,185	3,283	0.01623	0.05814
Rate 01 - Value MU	15	15	15	16	16	17	0.00522	0.02968
Rate 21 - Standard MU	6	6	7	7	7	7	0.00354	0.01949
Rate 02 standard	360	364	368	372	376	380	0.05571	0.03325
Rate 32 Value	7,546	7,628	7,711	7,794	7,879	7,966	0.02930	1.48975
Rate 52 standard	62	62	62	62	62	62	2.13885	2.83493
Rate 62 Value	2,838	2,864	2,890	2,916	2,942	2,967	0.44211	25.80311
Rate 42 - MF	0	0	0	0	0	0	0.00000	0.00000
Rate 103	549	549	549	549	549	549	1.87492	42.25488
Rate 113	9,451	9,451	9,451	9,451	9,451	9,451	0.98893	107.39792
Military	2,531	2,531	2,531	2,531	2,531	2,531	156.21704	1,265.25392
Float Glass	8,536	8,536	8,536	8,536	8,536	8,536	0.00000	8,535.99096
Municipalities	13,736	13,736	13,736	13,736	13,736	13,736	328.13947	3,434.06861
Co Use & Unacct	643	646	649	652	656	659	1.30%	
Requirements	50,115	50,349	50,589	50,832	51,082	51,336		
Reserve Margin(5%)	2,506	2,517	2,529	2,542	2,554	2,567		
Total Demand	52,621	52,866	53,118	53,374	53,636	53,903		

South Carolina

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast				
	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011	Jan 2012
Customers						
Rate 21- Standard SU	58,672	59,728	60,803	61,897	63,011	64,145
Rate 01 - Value SU	44,810	45,617	46,438	47,274	48,125	48,991
Rate 01 - Value MU	5,086	5,178	5,271	5,366	5,463	5,561
Rate 21 - Standard MU	5,335	5,431	5,529	5,629	5,730	5,833
Rate 02 standard	10,084	10,110	10,136	10,162	10,188	10,214
Rate 32 Value	3,843	3,868	3,893	3,918	3,943	3,969
Rate 52 standard	19	19	19	19	19	19
Rate 62 Value	92	93	94	95	96	97
Rate 42 - MF	2	2	2	2	2	2
Rate 103	11	11	11	11	11	11
Rate 113	43	43	43	43	43	43
Total Customers	127,997	130,100	132,239	134,416	136,631	138,885

							12-Months Ending 3/07	
Firm Base Load Requirements Excluding Special Contracts (DTs)							Heat Factor	Base Factor
Rate 21- Standard SU	935	951	969	986	1,004	1,022	0.01472	0.01593
Rate 01 - Value SU	2,698	2,746	2,796	2,846	2,897	2,949	0.01783	0.06020
Rate 01 - Value MU	306	312	317	323	329	335	0.00809	0.06019
Rate 21 - Standard MU	111	113	115	117	119	121	0.00806	0.02075
Rate 02 standard	467	468	469	470	472	473	0.05850	0.04629
Rate 32 Value	5,046	5,078	5,111	5,144	5,177	5,211	0.04611	1.31293
Rate 52 standard	25	25	25	25	25	25	3.04496	1.33521
Rate 62 Value	2,131	2,154	2,177	2,201	2,224	2,247	0.40790	23.16476
Rate 42 - MF	8	8	8	8	8	8	0.02827	4.20285
Rate 103	691	691	691	691	691	691	1.31773	62.78262
Rate 113	4,118	4,118	4,118	4,118	4,118	4,118	0.81517	95.75606
Co Use & Unacct	215	217	218	220	222	224	1.30%	
Requirements	16,751	16,881	17,014	17,149	17,286	17,424		
Reserve Margin(5%)	838	844	851	857	864	871		
Total Demand	17,589	17,725	17,865	18,006	18,150	18,295		

Total Carolinas (NC East, NC West, SC)

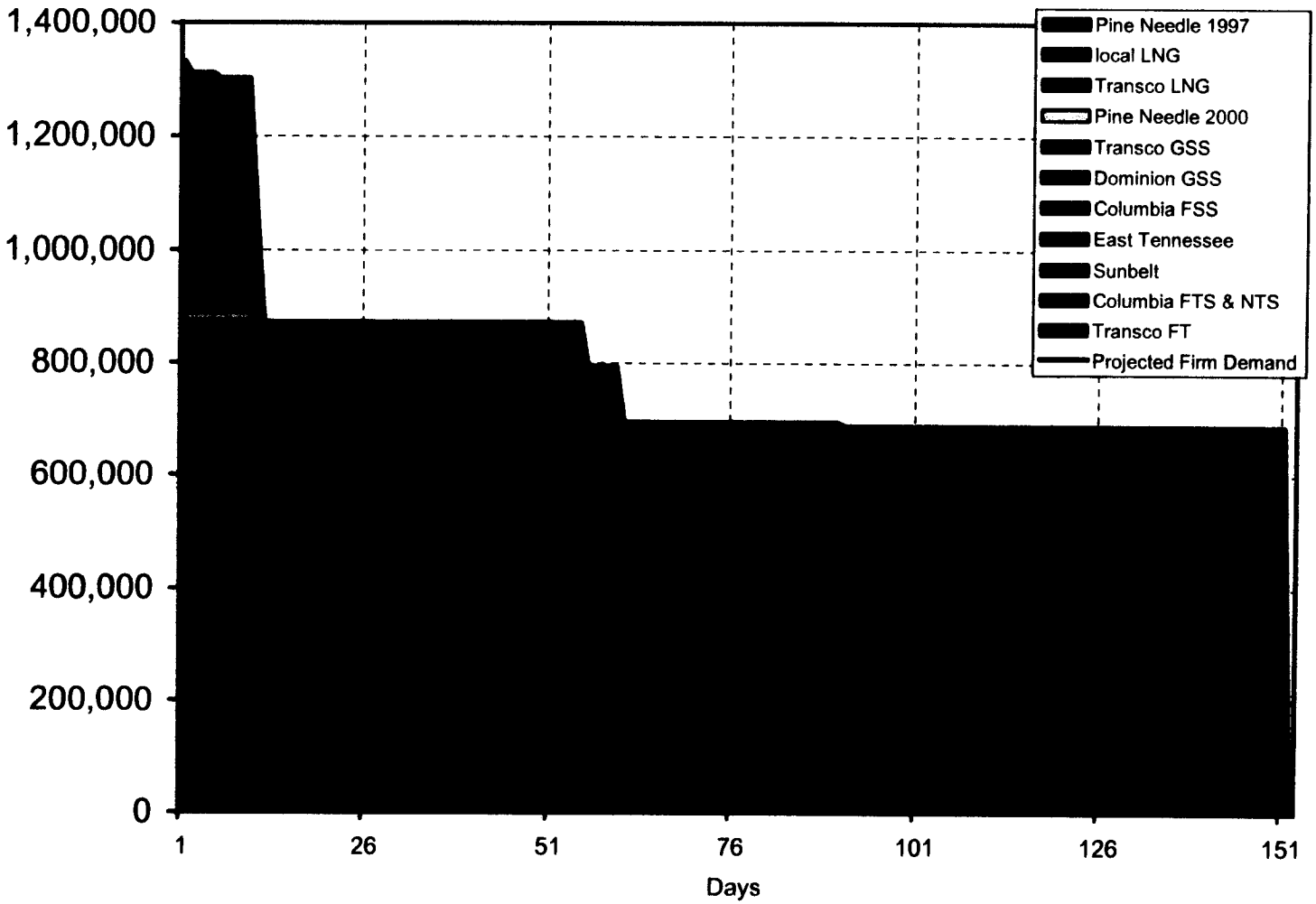
Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days 0.0

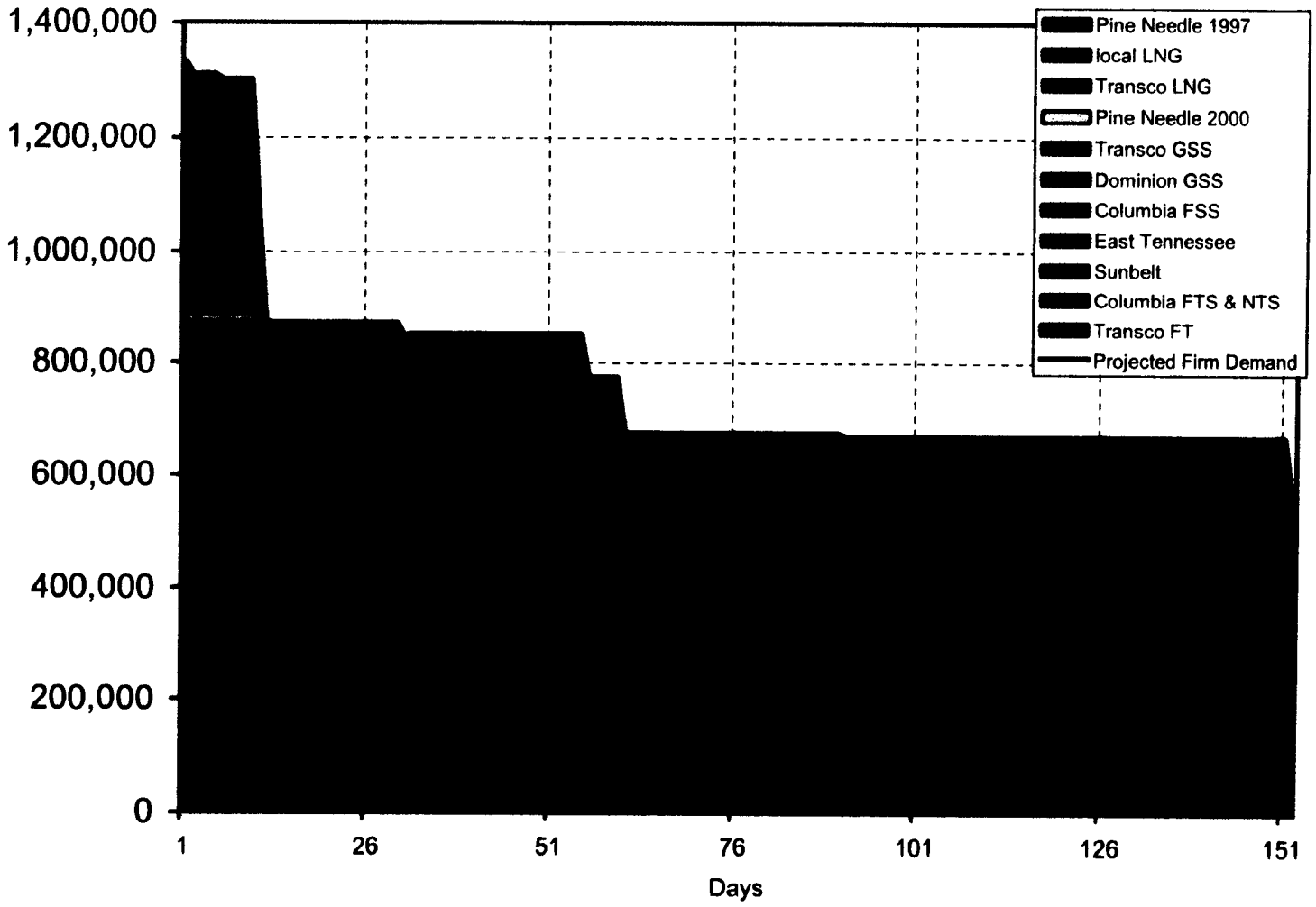
		Current Forecast				
	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011	Jan 2012
Customers						
Rate 21- Standard SU	333,405	342,977	352,833	362,980	373,427	384,184
Rate 01 - Value SU	292,036	300,507	309,229	318,211	327,461	336,986
Rate 01 - Value MU	25,139	25,852	26,586	27,342	28,121	28,921
Rate 21 - Standard MU	38,047	39,157	40,300	41,478	42,690	43,938
Rate 02 standard	56,438	56,969	57,505	58,048	58,596	59,149
Rate 32 Value	21,754	21,974	22,197	22,421	22,648	22,878
Rate 52 standard	115	116	117	118	119	120
Rate 62 Value	469	474	479	484	489	494
Rate 42 - MF	11	11	11	11	11	11
Rate 103	61	61	61	61	61	61
Rate 113	266	266	266	266	266	266
Military	2	2	2	2	2	2
Float Glass	1	1	1	1	1	1
Municipalities	4	4	4	4	4	4
Total Customers	767,748	788,371	809,591	831,427	853,896	877,015
Firm Base Load Requirements Excluding Special Contracts (DTs)						
Rate 21- Standard SU	5,471	5,628	5,791	5,957	6,129	6,306
Rate 01 - Value SU	17,895	18,414	18,949	19,500	20,068	20,651
Rate 01 - Value MU	1,367	1,406	1,444	1,486	1,527	1,571
Rate 21 - Standard MU	678	697	718	738	759	781
Rate 02 standard	2,424	2,446	2,469	2,491	2,515	2,538
Rate 32 Value	29,957	30,260	30,568	30,877	31,191	31,510
Rate 52 standard	353	357	360	364	367	371
Rate 62 Value	11,578	11,701	11,824	11,949	12,072	12,194
Rate 42 - MF	38	38	38	38	38	38
Rate 103	4,700	4,700	4,700	4,700	4,700	4,700
Rate 113	28,769	28,769	28,769	28,769	28,769	28,769
Military	2,531	2,531	2,531	2,531	2,531	2,531
Float Glass	8,536	8,536	8,536	8,536	8,536	8,536
Municipalities	13,736	13,736	13,736	13,736	13,736	13,736
Co Use & Unacct	1,664	1,680	1,695	1,711	1,729	1,746
Total Requirements	129,697	130,899	132,128	133,383	134,667	135,978
Reserve Margin(5%)	6,485	6,545	6,606	6,669	6,733	6,799
Total Demand	136,182	137,444	138,734	140,052	141,400	142,777

EXHIBIT__(KPM-4)

2006-07 Load Duration Curve
Design Winter Season - Total Carolinas
Firm Capacity and Forecasted Demand

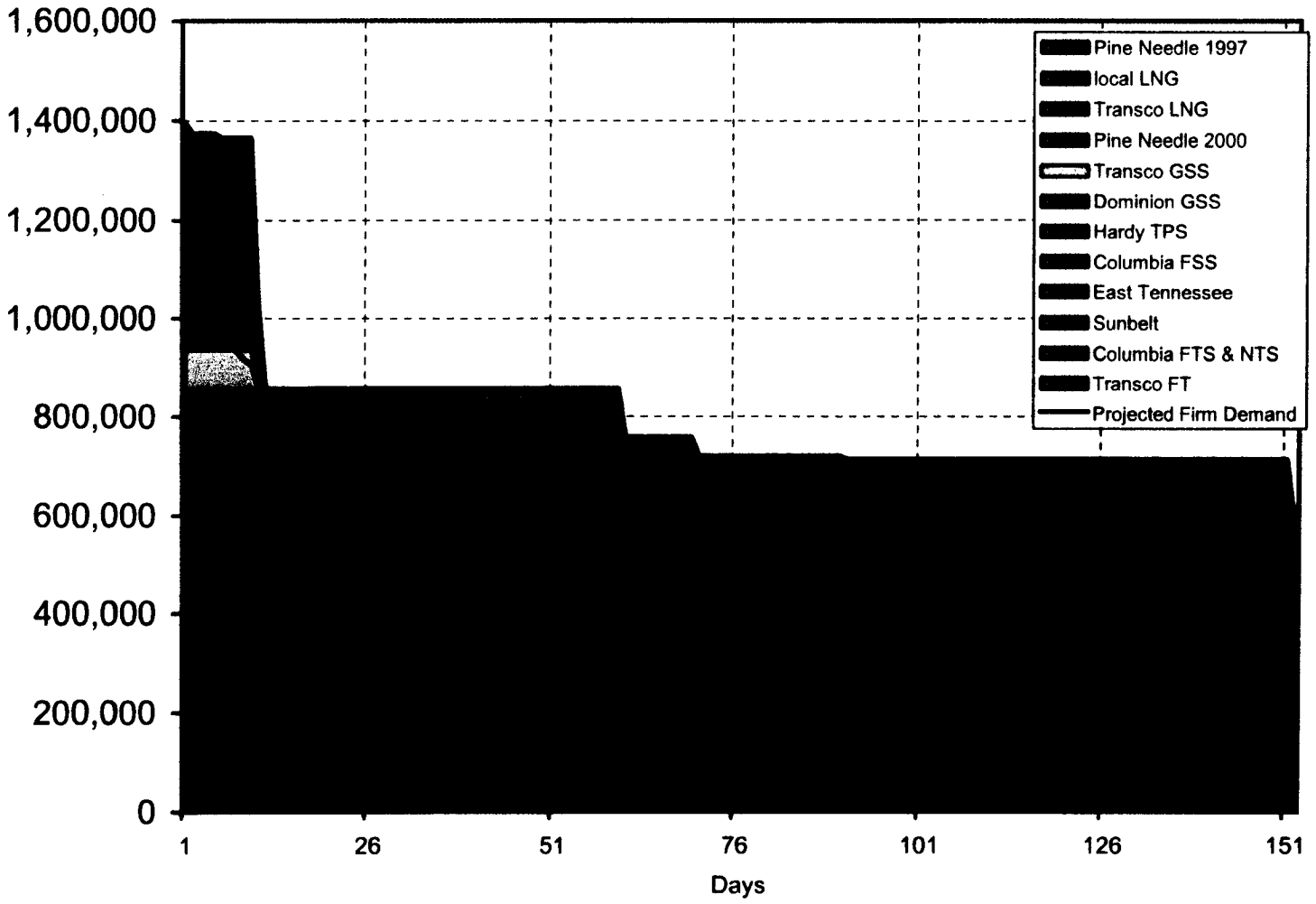


2006-07 Load Duration Curve
Design Winter Season - Total Carolinas
Firm Capacity and Actual Firm Sendout



EXHIBIT__(KPM-5)

2007-08 Load Duration Curve
Design Winter Season - Total Carolinas
Firm Capacity and Forecasted Demand



CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Direct Testimony and Exhibits of Keith P. Maust on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via UPS Overnight upon:

Jeffrey M. Nelson
Office of Regulatory Staff
1441 Main Street
Suite 300
Columbia, South Carolina 29201
(5 copies)

And that a copy of the attached *Direct Testimony and Exhibits of Keith P. Maust on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via U.S. Mail upon:

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

This the 11th day of October, 2007.

James H. Jeffries IV